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(47)

DCI/ICS 82-3076
15 December 1982

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MEMORANDUM FOR THE RECORD

SUBJECT: Cabinet Council on Commerce and Trade (CCCT) Meeting, Wednesday,
15 December 1982

1. This morning I attended as the DCI representative the CCCT meeting on the LANDSAT and METSAT programs. Briefly, Mr. John McElroy, Assistant Administrator for Satellites of the Department of Commerce, gave a presentation on the various satellite systems, including a glowing account of the capabilities of the French SPOT system. In essence, he stated that after considerable review the recommendation of the Council would be that we proceed immediately with the commercialization of both land remote sensing systems and weather systems.

2. Considerable discussion ensued, being led by Mr. William Niskanen, member of the President's Council of Economic Advisors, who questioned the Council's going forward with RFPs on a single proposal. He urged that bids be sought from interested contractors on individual systems, as well as on a combination, and stressed that the Council should not "pre-judge" the best mix for any given contractor. This resulted in a fairly heated discussion lasting for a considerable period of time with, however, despite Secretary Baldrige's objections, the Niskanen viewpoint prevailing. The representative of the Office of Management and Budget also questioned the amount of money which would be required in the government budget to subsidize this program and made the statement that, while interested customers claim that the product is valuable to them, not one of them considers it so valuable that they are willing to invest their own money in the project. This was seconded by the Secretary of Agriculture, who is the largest user, and who stated that, while the product is very valuable to them, the Department of Agriculture is not willing to budget for any of the costs of maintaining the program.

3. Toward the end of the session, I raised on behalf of the DCI the question of the national security implications of commercialization, stressing the concern of the Intelligence Community that commercialization would pose a threat both from the point of view of technology transfer as well as from the fact that such commercialization would considerably enhance the intelligence capabilities of other countries, including specifically the USSR. I added that we would recommend incremental commercialization, beginning with land remote sensing systems. I stressed that, as a minimum, recommendation #1 should be modified to provide that specific recommendations for modification of the satellites to protect national security interests be reviewed by the SIG(Space), and that contractual arrangements involved in the transfer process be subject to detailed

national security and foreign policy guidelines prior to RFPs so that the additional costs necessary for maximizing security protection of the satellites be factored in prior to contract negotiation. Mr. McElroy stated that he was surprised that this question had arisen, stating that it had been agreed that an interagency body would be formed to consider the security implications of commercialization. I replied that the language of recommendation #1 was indeed very bland, to which Mr. McElroy replied that this was in the interest of economy of words. I stressed that we should like to go on record as recommending that security implications be examined and factored in before RFP. The NSC representative (Col. Gil Rye) stated that, speaking for the NSC and SIG(Space), he felt that provision had been made for the intelligence and security implications to be adequately addressed and considered within the Community.

4. In summing up the results of the meeting, Secretary Baldrige stated that we would, rather than go for a single contractor and single package, request bids from contractors, leaving them to choose the mix on which they would bid. He also stated that the costs would continue to be examined as the process went along. He added that it is possible that contractor estimates would be so high that we could not possibly meet them; in which case, the whole idea of commercialization would have to be abandoned. Finally, turning to me, he stated that, of course, national security concerns are most important and would have to be addressed. He asked Mr. Carlucci, the DoD representative, about their concerns, and Mr. Carlucci responded that he had just signed a letter setting forth DoD concerns and that if these were taken into account, and he did not think that they were insoluble, DoD could go along.

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Eloise R. Page

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